

Message Text

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ACTION NEA-11

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E.O. 11652: N/A

TAGS: EFIN, EG

SUBJ: GOE RAISES LAND TAXES

1. AL AHRAM JUNE 12 FRONTPAGES ACTION TAKEN BY PEOPLES ASSEMBLY PREVIOUS DAY, AFTER REPORTEDLY HEATED DEBATE, RAISING SIGNIFICANTLY TAXES ON AGRICULTURAL LAND. ACCORDING PRESS ARTICLE, NEW LAND TAXES WILL BE FIXED EFFECTIVE JANUARY 1, 1979. WITH ONE-HALF OF REVISED ASSESSMENT ACCRUING DURING FOLLOWING YEAR. AL AHRAM ACCOUNT, HOWEVER, IS UNCLEAR (TO SAY THE LEAST) AS TO IMPLEMENTATION AND CONTAINS NO DETAILS OF AMOUNTS OF TAX INCREASE.

2. IN DISCUSSION WITH MINFIN TAXATION DEPARTMENT DIRECTOR GENERAL JUNE 12, WE WERE INFORMED THAT INCREASE IN LAND TAXES APPROVED BY PA IS BY FAR MOST SIGNIFICANT IN THAT AREA DURING PAST QUARTER CENTURY. LEGISLATIVE ACTION APPROVES MINFIN REVALUATION UPWARD OF ANNUAL RENTAL VALUE ON DIFFERENT TYPES OF LAND BY AVERAGE OF 75 PER CENT. ACUTAL PERCENTAGE INCREASE VARIES FROM 50 TO 150 PER CENT, DEPENDING ON PRODUCTIVITY OF LAND IN QUESTION. DIRGEN NOTED THAT ANNUAL RENT FIGURE WAS RAISED ONE YEAR AGO BY ABOUT 15 PERCENT FOR FIRST TIME SINCE 1952. HE CONFIRMED THAT TAX RATES APPLYING TO RENTAL VALUE ARE UNCHANGED BY

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PA ACTION.

3. COMMENT: AS DEPARTMENT AWARE (SEE CAIRO A191, 12/24/75), FIVE DIFFERENT IDENTIFIABLE TAXES APPLY TO LAND WHICH IS OR CAN BE CULTIVATED. BASIC LAND TAX IS 14 PER CENT OF ANNUAL RENT VALUE, WHICH IS DETERMINED BY MINFIN TAXATION COMMITTEE; OTHER ADD-ON LAND TAXES ARE

DEFENSE - 10.5 PER CENT, NATIONAL SECURITY - 3.5 PER CENT, LOCAL AUTHORITY - 2.1 PER CENT AND "MILITANCY" - FLAT RATE LE 0.25 TO LE 1 PER ACRE. BY GIVING STAMP OF APPROVAL TO REVISION OF RENTAL VALUE NEXT YEAR, PA EVIDENTLY HAS IN EFFECT RAISED TAXES AND POTENTIAL TAX REVENUE FROM THIS SOURCE BY VERY SUBSTANTIAL AMOUNT. DETAILED INFORMATION ON IMPLEMENTATION IS NOT YET AVAILABLE, BUT WE WOULD GUESS THIS MEASURE WILL OCCASION NO LITTLE CONTROVERSY WHEN ITS PROVISIONS ARE WIDELY KNOWN.

4. PA ACTION ON LAND TAXES DOES NOT APPEAR TO BE RELATED DIRECTLY TO RECONSIDERATION OF TAX REFORM BILL RECENTLY RETURNED TO LEGISLATURE BY PRESIDENT SADAT, FINAL FORM OF WHICH IS YET TO BE FORTHCOMING FROM ASSEMBLY. WHILE NEW LAND TAX APPARENTLY WILL PROVIDE SUBSTANTIAL INCREASE IN GOE REVENUES WHEN EFFECTED, IT MAY BE RECALLED THAT COMBINED CUSTOMS DUTIES, EXCISE TAXES, MISCELLANEOUS RECEIPTS AND STAMP FEES BRING IN TO GOE CONSIDERABLY MORE TAX REVENUES THAN ALL FORMS OF DIRECT TAXATION, INCLUDING THAT ON LAND. EILTS

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